

HEMATITE TOWNSHIP

---

Financial Report  
With Supplemental Information  
Prepared in Accordance with GASB 34

March 31, 2005

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>HEMATITE TOWNSHIP</b>	County <b>IRON</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>5/24/05</b>	Date Accountant Report Submitted to State: <b>9/27/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>DS ROSTAGNO, CPA, P.C.</b>			
Street Address <b>101 WEST MAPLE STREET</b>	City <b>IRON RIVER</b>	State <b>MI</b>	ZIP <b>49935</b>
Accountant Signature 		Date <b>9/27/05</b>	

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>4</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS.....</b>	<b>7</b>
<b>BASIC FINANCIAL STATEMENTS .....</b>	<b>23</b>
STATEMENT OF NET ASSETS .....	24
STATEMENT OF ACTIVITIES.....	25
BALANCE SHEET - GOVERNMENTAL FUNDS .....	27
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS .....	28
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS .....	29
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES .....	30
STATEMENT OF FUND NET ASSETS - ENTERPRISE FUND .....	31
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - ENTERPRISE FUND.....	32
STATEMENT OF CASH FLOWS - ENTERPRISE FUND .....	33
STATEMENT OF FIDUCIARY NET ASSETS.....	35
<b>NOTES TO THE FINANCIAL STATEMENTS.....</b>	<b>36</b>
<b>REQUIRED SUPPLEMENTAL INFORMATION.....</b>	<b>103</b>
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND .....	104
<b>OTHER SUPPLEMENTAL INFORMATION .....</b>	<b>105</b>
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS .....	106
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS.....	107
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS .....	108
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY - ALL SPECIAL REVENUE FUND TYPES.....	109
COMBINING BALANCE SHEET - DEBT SERVICE FUND TYPES .....	110
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - DEBT SERVICE FUND TYPES.....	111
BALANCE SHEET - GENERAL FUND.....	112
STATEMENT OF REVENUES - GENERAL FUND.....	113
STATEMENT OF EXPENDITURES - GENERAL FUND .....	114
BALANCE SHEET - CEMETERY FUND .....	118
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - CEMETERY FUND.....	119
BALANCE SHEET - LIQUOR LAW ENFORCEMENT FUND .....	120

## TABLE OF CONTENTS

	<u>Page</u>
<b>OTHER SUPPLEMENTAL INFORMATION (Continued)</b>	
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - LIQUOR LAW ENFORCEMENT FUND.....	121
BALANCE SHEET - AMASA COMMUNITY LIBRARY .....	122
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - AMASA COMMUNITY LIBRARY .....	123
BALANCE SHEET - DEBT SERVICE FUND .....	124
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DEBT SERVICE FUND .....	125
BALANCE SHEET - HEMATITE TOWNSHIP BUILDING AUTHORITY .....	126
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - HEMATITE TOWNSHIP BUILDING AUTHORITY .....	127
BALANCE SHEET - WATER FUND .....	128
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS - WATER FUND.....	129
STATEMENT OF CASH FLOWS - WATER SUPPLY SYSTEM FUND .....	130
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - TRUST AND AGENCY FUND .....	132
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING.....</b>	<b>133</b>
<b>SINGLE AUDIT REPORTS.....</b>	<b>136</b>
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE.....	137
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	139
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	141
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	142

**INDEPENDENT AUDITOR'S REPORT**

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

Board of Trustees  
**Hematite Township**  
Amasa, Michigan 49903

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of **Hematite Township**, as of and for the fiscal year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Hematite Township** at March 31, 2005, and the respective changes in financial position and cash flows thereof for the fiscal year ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2005 on our consideration of **Hematite Township's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 8 through 22 and the budgetary comparison information are not required parts of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Hematite Township's** basic financial statements. The combining and individual fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The combining and individual fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

May 24, 2005

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# HEMATITE TOWNSHIP

Box 67

Unincorporated

Amasa, Michigan 49903

Phone: (906) 822-7831 • Fax: (906) 822-7832

TDD: (800) 649-3777

The management of **Hematite Township** provides this narrative overview and analysis of the financial activities of **Hematite Township** for the fiscal year ended March 31, 2005. As readers, you are encouraged to read this discussion and analysis in conjunction with the Township's financial statement information included in this report.

## *Overview of the Financial Statements*

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## *Government-wide financial statements*

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include general government, legislative, Township property, public safety, public works, cemetery, culture and recreation, debt service, and capital outlay.

The business-type activity of the Township is the Water Utility service.

Hematite Township is an equal opportunity provider and employer.

# HEMATITE TOWNSHIP

Box 67

Unincorporated

Amasa, Michigan 49903

Phone: (906) 822-7831 • Fax: (906) 822-7832

TDD: (800) 649-3777

## *Fund Financial Statements*

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

## *Governmental Funds*

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains six governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and the Hematite Township Building Authority, both of which are considered major funds. The Cemetery, Liquor Law Enforcement, Amasa Community Library, and the Debt Service Funds are non-major governmental funds. Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

# HEMATITE TOWNSHIP

Box 67

Unincorporated

Amasa, Michigan 49903

Phone: (906) 822-7831 • Fax: (906) 822-7832

TDD: (800) 649-3777

## *Governmental Funds (Continued)*

The Township adopts an annual budget for its general and other governmental funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general and other major governmental funds, and is included in the "Required Supplementary Information" section of this document.

## *Proprietary Funds*

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Township is used to report the same functions as the business-type activities in the government-wide financial statements. The Water Utility Funds is presented separately in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

## *Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund for the Township is the Tax Collection Fund (an agency fund).

Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. These funds are presented separately in the fund financial statements section of the basic financial statements.

## *Notes to the Financial Statements*

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

# HEMATITE TOWNSHIP

Box 67

Unincorporated

Amasa, Michigan 49903

Phone: (906) 822-7831 • Fax: (906) 822-7832

TDD: (800) 649-3777

## *Supplementary Information*

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the Township's major special revenue funds as presented in the governmental fund financial statements.

A separate financial statement for the Township's non-major governmental funds is also included in the Other Supplementary Information section of this document.

## *Government-wide Financial Analysis*

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Township, assets exceeded liabilities by \$ 1,705,020 at March 31.

By far, the largest portion of the Township's net assets is its investment in capital assets (land, buildings, machinery, and equipment), less any outstanding debt related to acquiring the asset. These capital assets are used to provide services to citizens and are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At March 31, 2005, the Township reported \$ 1,420,970 in net assets invested in capital assets net of related debt.

External restrictions of the Township's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$ 163,349 may be used to meet the Township's ongoing obligations to citizens and creditors.

Total net assets in excess of liabilities at March 31 for the governmental activities and business-type activities were \$ 703,861 and \$ 1,001,159, respectively.

# HEMATITE TOWNSHIP

Box 67  
Unincorporated  
Amasa, Michigan 49903  
Phone: (906) 822-7831 • Fax: (906) 822-7832  
TDD: (800) 649-3777

## *Government-wide Financial Analysis (Continued)*

### **Summary of Net Assets**

Following is a comparative summary of the net assets at fiscal years ended March 31, 2005 and March 31, 2004:

	March 31, 2005		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b><u>Assets</u></b>			
Current and other assets	\$ 189960	\$ 94298	\$ 284258
Capital assets, net	<u>626701</u>	<u>1202069</u>	<u>1828770</u>
<b>Total Assets</b>	<b>816661</b>	<b>1296367</b>	<b>2113028</b>
<b><u>Liabilities</u></b>			
Long-term liabilities	\$ 79800	\$ 287000	\$ 366800
Other liabilities	<u>33000</u>	<u>8208</u>	<u>41208</u>
<b>Total Liabilities</b>	<b>112800</b>	<b>295208</b>	<b>408008</b>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	513901	907069	1420970
Restricted	26421	94090	120511
Designated	190	0	190
Unrestricted, undesignated	<u>163349</u>	<u>0</u>	<u>163349</u>
<b>Total Net Assets</b>	<b>\$ 703861</b>	<b>\$ 1001159</b>	<b>\$ 1705020</b>

# HEMATITE TOWNSHIP

Box 67  
Unincorporated  
Amasa, Michigan 49903  
Phone: (906) 822-7831 • Fax: (906) 822-7832  
TDD: (800) 649-3777

## *Government-wide Financial Analysis (Continued)*

### **Summary of Net Assets (Continued)**

	March 31, 2004		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b><u>Assets</u></b>			
Current and other assets	\$ 236344	\$ 18344	\$ 254688
Capital assets, net	<u>523257</u>	<u>1674</u>	<u>524931</u>
<b>Total Assets</b>	<b>759601</b>	<b>20018</b>	<b>779619</b>
<b><u>Liabilities</u></b>			
Long-term liabilities	\$ 112800	\$ 0	\$ 112800
Other liabilities	<u>30000</u>	<u>12154</u>	<u>42154</u>
<b>Total Liabilities</b>	<b>142800</b>	<b>12154</b>	<b>154954</b>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	380457		380457
Restricted	25613	7864	33477
Unrestricted	<u>210731</u>	<u>0</u>	<u>210731</u>
<b>Total Net Assets</b>	<b>\$ 616801</b>	<b>\$ 7864</b>	<b>\$ 624665</b>

For governmental activities, net assets increased by \$ 78,203 before the cumulative effect of the application of accounting principles.

For business-type activities, net assets increased by \$ 993,295 during the current fiscal year.

# HEMATITE TOWNSHIP

Box 67  
Unincorporated  
Amasa, Michigan 49903  
Phone: (906) 822-7831 • Fax: (906) 822-7832  
TDD: (800) 649-3777

## *Government-wide Financial Analysis (Continued)*

Following is a comparative representation of the changes in net assets for both governmental and business-type activities for the fiscal years ended March 31, 2005 and March 31, 2004:

	March 31, 2005			
	Primary Government			
	Governmental	Business-type		Total
	Activities	Activities		
<b>REVENUES</b>				
<b>Program Revenues</b>				
Charges for Services	\$ 45775	\$ 139516	\$	185291
Operating grants	4355			4355
Capital grants	126500	874700		1001200
<b>General Revenues</b>				
Property taxes	67526			67526
Other taxes	29352			29352
Unrestricted grants	26772			26772
Other	13960	272		14232
<b>Total Revenues</b>	<b>314240</b>	<b>1014488</b>		<b>1328728</b>
<b>EXPENSES</b>				
General government	\$ 39554	\$	\$	39554
Legislative	12179			12179
Township property	45289			45289
Public safety	22388			22388
Public works	8049			8049
Cemetery	2407			2407
Culture and recreation	9484			9484
Interest on long-term debt	6795			6795
Depreciation	36121			36121
<b>Total governmental expenses</b>	<b>\$ 182266</b>	<b>\$ -0-</b>	<b>\$</b>	<b>182266</b>

# HEMATITE TOWNSHIP

Box 67  
Unincorporated  
Amasa, Michigan 49903  
Phone: (906) 822-7831 • Fax: (906) 822-7832  
TDD: (800) 649-3777

## *Government-wide Financial Analysis (Continued)*

March 31, 2005			
Primary Government			
	Governmental Activities	Business-type Activities	Total
<u>Business-type activities:</u>			
Water	\$ _____	\$ 74964	\$ 74964
Total business-type expenses	-0-	74964	74964
<b>TOTAL EXPENSES</b>	\$ 182266	\$ 74964	\$ 257230
Increase (Decrease) in net assets before transfers	131974	939524	1071498
Transfers - net	(53771)	53771	0
Increase (Decrease) in Net Assets	78203	993295	1071498
Net Assets, beginning of year	<u>616801</u>	<u>7864</u>	<u>624665</u>
Cumulative change in the application of accounting principle	8857		8857
<b>Net Assets, end of year</b>	\$ <u>703861</u>	\$ <u>1001159</u>	\$ <u>1705020</u>

# HEMATITE TOWNSHIP

Box 67  
Unincorporated  
Amasa, Michigan 49903  
Phone: (906) 822-7831 • Fax: (906) 822-7832  
TDD: (800) 649-3777

## *Government-wide Financial Analysis (Continued)*

	March 31, 2004		
	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>REVENUES</b>			
<b>Program Revenues</b>			
Charges for Services	\$ 39933	\$ 50744	\$ 90677
Capital grants	6969		6969
<b>General Revenues</b>			
Property taxes	63572		63572
Other taxes	29046		29046
Unrestricted grants	28482		28482
Other	16085	327	16412
<b>Total Revenues</b>	<b>184087</b>	<b>51071</b>	<b>235158</b>
<b>EXPENSES</b>			
General government	\$ 33156	\$	\$ 33156
Legislative	28703		28703
Township property	39922		39922
Public safety	9060		9060
Public works	7800		7800
Cemetery	3305		3305
Culture and recreation	11986		11986
Community development	665		665
Interest on long-term debt	8283		8283
Depreciation	29207		29207
<b>Total governmental expenses</b>	<b>\$ 172087</b>	<b>\$ -0-</b>	<b>\$ 172087</b>
<b>Business-type activities:</b>			
Water	\$	\$ 66482	\$ 66482
<b>Total business-type expenses</b>	<b>-0-</b>	<b>66482</b>	<b>66482</b>
<b>TOTAL EXPENSES</b>	<b>\$ 172087</b>	<b>\$ 66482</b>	<b>\$ 238569</b>

# HEMATITE TOWNSHIP

Box 67  
Unincorporated  
Amasa, Michigan 49903  
Phone: (906) 822-7831 • Fax: (906) 822-7832  
TDD: (800) 649-3777

## *Government-wide Financial Analysis (Continued)*

	March 31, 2004		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Increase (Decrease) in net assets before transfers	\$ 12000	\$ (15411)	\$ (3411)
Transfers - net	0	0	0
Increase (Decrease) in Net Assets	12000	(15411)	(3411)
Net Assets, beginning of year	<u>604801</u>	<u>23275</u>	<u>628076</u>
Net Assets, end of year	\$ <u><u>616801</u></u>	\$ <u><u>7864</u></u>	\$ <u><u>624665</u></u>

## *Governmental Activities*

Property taxes and other tax revenues comprise \$ 96,878 or approximately 31 percent of total governmental revenues.

The Township also collected \$ 45,775 for services provided. And, at fiscal year-end, the Township reported \$ 26,772 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution.

The Township expended \$ 182,266 on governmental programs and services. One of the largest expense categories was for Township property, where \$ 45,289, or 25 percent of total governmental expenditures occurred. Of this total for Township property, \$ 28,576 was expended for hall rental from the Hematite Township Building Authority. \$ 39,554 was expended for general government, \$ 36,121 for depreciation, and \$ 22,388, or 12 percent of total expenditures, was used for public safety.

Hematite Township is an equal opportunity provider and employer.

# HEMATITE TOWNSHIP

Box 67

Unincorporated

Amasa, Michigan 49903

Phone: (906) 822-7831 • Fax: (906) 822-7832

TDD: (800) 649-3777

## *Business-type Activities*

Business-type activities increased the Township's net assets by \$ 993,295. Operating revenues for the Water Utility activities for the year ended were \$ 139,516. Total expenses for the Water Utility activities for the year ended were \$ 74,964.

## **Financial Analysis of the Governmental Funds**

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

## *Governmental Funds*

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Township's governmental funds reported combined ending fund balances of \$ 189,960, of which \$ 26,611 is reserved and the remaining \$ 163,349 is available for spending at the government's discretion.

The Township's primary governmental fund is its general fund. There are no reservations in the general fund's fund balance. However, the general fund has designated \$ 190 of its fund balance for the fire department.

On the budgetary basis of accounting, the Township ended the fiscal year with revenues higher than the original or final budget projections. Expenditures were more than the original appropriation, but slightly less than the final amended budget. And, at fiscal year-end, the fund balance was considerably lower than the original budget projected, but slightly higher than final amended budget projection.

# HEMATITE TOWNSHIP

Box 67  
Unincorporated  
Amasa, Michigan 49903  
Phone: (906) 822-7831 • Fax: (906) 822-7832  
TDD: (800) 649-3777

## *Governmental Funds*

### Revenues – Budget vs Actual for the Fiscal Year Ended March 31, 2005:

	<u>Revenues Original Budget</u>	<u>Revenues Final Budget</u>	<u>Revenues Final Actual</u>	<u>Revenues Actual Variance and Original Budget</u>	<u>Revenues Variance Actual and Final Budget</u>
General Fund	\$ 271900	\$ 269437	\$ 276890	\$ 4990	\$ 7453

### Expenditures – Budget vs Actual for the Fiscal Year Ended March 31, 2005:

	<u>Expenditures Original Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Actual</u>	<u>Expenditures Variance Actual and Original Budget</u>	<u>Expenditures Variance Actual and Final Budget</u>
General Fund	\$ 264500	\$ 271050	\$ 269688	\$ (5188)	\$ 1362

General fund financial and budgetary highlights of the fiscal year include:

- \* Property taxes, administration fees, and other taxes exceeded original and final budgetary amounts by \$ 6,379 and \$ 3,829, respectively.
- \* Miscellaneous revenue was very close to the original budget, but somewhat higher than the final amended budget.
- \* Expenditures in total for the general fund were \$ 269,688, which is less than the final amended budget and slightly more than the original budget. This small variance was due to small variances throughout, and is not attributable to any specific governmental activity.

Hematite Township is an equal opportunity provider and employer.

# HEMATITE TOWNSHIP

Box 67  
Unincorporated  
Amasa, Michigan 49903  
Phone: (906) 822-7831 • Fax: (906) 822-7832  
TDD: (800) 649-3777

## *Proprietary Funds*

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Water Fund at year-end were \$ 1,001,159. The change in net assets was a gain of \$ 993,295.

## **Capital Assets and Debt Administration**

### *Capital Assets*

The Township's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of March 31 was \$ 626,701 and \$ 1,202,069, respectively. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.

Infrastructure assets represent \$ 1,209,297, which is the largest portion of the estimated original cost of total assets. All infrastructure is accounted for in the Water Fund. There is no infrastructure attributed to the General Fund.

Major capital events during the current fiscal year included:

- \* Completion of the water system improvement project, adding \$ 1,208,033 to the water system infrastructure. This was funded by a federal grant from the United States Department of Agriculture (Rural Development) in the amount of \$ 883,000, the issuance of revenue bonds in the amount of \$ 295,000, and the balance in Township funds.
- \* New computer equipment at a cost of \$ 1,388 for the water department, and a computer for general Township operation at a cost of \$ 953.
- \* Purchase of a new fire truck, with a total cost of \$ 138,716.

# HEMATITE TOWNSHIP

Box 67

Unincorporated

Amasa, Michigan 49903

Phone: (906) 822-7831 • Fax: (906) 822-7832

TDD: (800) 649-3777

## **Capital Assets and Debt Administration (Continued)**

### ***Long-term debt***

As of March 31, the Township (including the enterprise funds) had total bonded debt outstanding of \$ 112,800, all of which is backed by the full faith and credit of the government. This consists of \$ 50,000 for the Building Authority bonds, and \$ 62,800 to USDA (Rural Development) for the fire truck.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation is significantly higher than the Township's outstanding general obligation debt.

Currently, the bond program does not maintain underlying bond ratings.

On June 08, 2004, the Township approved the issuance of Water Supply System Revenue Bonds in the amount of \$ 295,000 for improvements to the Township water system. The total project cost was estimated at \$ 1,178,000, funded by a federal grant from USDA in the amount of \$ 883,000, and the loan of \$ 295,000.

## **Other Economic Factors and Next Year's Budget**

### ***Economic Factors***

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state budget cuts will likely translate into strategic reductions of Township expenses to maintain a fiscally sound budget.

Despite the poor outlook of the State's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families, and maintain a safe and clean community in which to live.

The Township's fiscal year 2005-2006 general fund budget is \$ 139,698, which is considerably less than the 2004-2005 budget, due to the fact that there are no major capital expenditures budgeted for 2005-2006.

# HEMATITE TOWNSHIP

Box 67  
Unincorporated  
Amasa, Michigan 49903  
Phone: (906) 822-7831 • Fax: (906) 822-7832  
TDD: (800) 649-3777

## **Other Economic Factors and Next Year's Budget (Continued)**

### ***Economic Factors (Continued)***

The Township has no major plans or priorities for the 2005-2006 fiscal year.

There are no significant tax rate or fee changes to be implemented for 2005-2006 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor  
**Hematite Township**  
P.O. Box 67  
Amasa, Michigan 49903

**BASIC FINANCIAL STATEMENTS**

**HEMATITE TOWNSHIP**

**STATEMENT OF NET ASSETS**

MARCH 31, 2005

	Primary Government		Total
	Governmental	Business-	Reporting
	Activities	type	Entity
		Activities	
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Investments (Note C )	\$ 149,724	\$ 28,617	\$ 178,341
Receivables			
Taxes	7,391		7,391
Accounts Receivable	-	6,985	6,985
Due from External Parties	86,616	115	86,731
Internal Balances	(53,771)	53,771	-
<b>Total Current Assets</b>	189,960	89,488	279,448
<b>Noncurrent Assets</b>			
Cash, Restricted		4,810	4,810
Capital Assets, Net (Note H )	626,701	1,202,069	1,828,770
<b>Total Noncurrent Assets</b>	626,701	1,206,879	1,833,580
<b>TOTAL ASSETS</b>	<b>\$ 816,661</b>	<b>\$ 1,296,367</b>	<b>\$ 2,113,028</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable		-	-
Current Portion of Long-term debt	33,000	8,000	41,000
Deferred Revenue		208	208
<b>Total Current Liabilities</b>	33,000	8,208	41,208
<b>Long-Term Liabilities</b>			
Bonds Payable	79,800	287,000	366,800
<b>Total Long-term Liabilities</b>	79,800	287,000	366,800
<b>TOTAL LIABILITIES</b>	<b>\$ 112,800</b>	<b>\$ 295,208</b>	<b>\$ 408,008</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	513,901	907,069	1,420,970
Reserved for Debt Service	615		615
Reserved for Cemetery	7,309		7,309
Reserved for Library	18,497		18,497
Reserved for Water Utility		94,090	94,090
Designated for Fire Department	190		190
Unreserved and Undesignated	163,349		163,349
<b>TOTAL NET ASSETS</b>	<b>\$ 703,861</b>	<b>\$ 1,001,159</b>	<b>\$ 1,705,020</b>

The notes to the financial statements are integral part of this report.

**HEMATITE TOWNSHIP**

**STATEMENT OF ACTIVITIES**

YEAR ENDED MARCH 31, 2005

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants</u>
Primary Government -				
General government	\$ 39,554	\$ -	\$ -	\$ -
Legislative	12,179			
Township property	45,289	28,725		
Public safety	22,388	9,575	1,293	126,500
Public works	8,049		3,062	
Cemetery	2,407	2,400		
Culture and recreation	9,484	5,075		
Community development				
Interest on long-term debt	6,795			
Depreciation (Unallocated)	36,121			
Total Governmental Activities	182,266	45,775	4,355	126,500
<u>Business-type Activities</u>				
Water	74,964	139,516		874,700
Total Business-type Activities				

**General Revenues:**

**Taxes:**

    Property taxes levied for general operations  
    Other taxes and fees  
    State Sales Tax Distribution  
    Sale of Property  
    Interest and Investment Earnings  
    Loss on sale of assets  
    Other

**Total General Revenues**

**Internal Balances - Transfers**

**Change in Net Assets**

**Net Assets - Beginning of year**

Cumulative Change in the Application of Accounting Principle

**Net Assets - End of year**

**HEMATITE TOWNSHIP**

**STATEMENT OF ACTIVITIES**

YEAR ENDED MARCH 31, 2005

***Net (Expense) Revenue and Changes  
in Net Assets***

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (39,554)	\$ -	\$ (39,554)
(12,179)		(12,179)
(16,564)		(16,564)
114,980		114,980
(4,987)		(4,987)
(7)		(7)
(4,409)		(4,409)
-		-
(6,795)		(6,795)
(36,121)		(36,121)
(5,636)		(5,636)
	939,252	939,252
	939,252	933,616
67,526		67,526
29,352		29,352
26,772		26,772
8,363		8,363
3,795	272	4,067
(69)		(69)
1,871		1,871
137,610	272	137,882
(53,771)	53,771	
78,203	993,295	1,071,498
616,801	7,864	624,665
8,857	-	
<u>\$ 703,861</u>	<u>\$ 1,001,159</u>	<u>\$ 1,705,020</u>

The notes to the financial statements are an integral part of this report.

# HEMATITE TOWNSHIP

## BALANCE SHEET GOVERNMENTAL FUNDS

MARCH 31, 2005

	<u>General Fund</u>	<u>Building Authority</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and Investments (Note C )				
Unrestricted	\$ 123,303	\$ 615	\$ 25,806	\$ 149,724
Receivables:				
Taxes	7,391			7,391
Accounts Receivable	-			-
Due from Other Funds	86,616			86,616
<b>TOTAL ASSETS</b>	<b><u>\$ 217,310</u></b>	<b><u>\$ 615</u></b>	<b><u>\$ 25,806</u></b>	<b><u>\$ 243,731</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>Liabilities</u></b>				
Due to Other Funds	53,771	-	-	53,771
<b>Total Liabilities</b>	53,771	-	-	53,771
<b><u>Fund Balances</u></b>				
Reserved for Debt Service		615		615
Reserved for Cemetery			7,309	7,309
Reserved for Library			18,497	18,497
Designated for Fire Department	190			190
Unreserved and undesignated	163,349			163,349
<b>Total Fund Balances</b>	163,539	615	25,806	189,960
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 217,310</u></b>	<b><u>\$ 615</u></b>	<b><u>\$ 25,806</u></b>	<b><u>\$ 243,731</u></b>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

GOVERNMENTAL FUNDS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

MARCH 31, 2005

Fund Balances - Total Governmental Funds \$ 189,960

Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities  
are not financial resources and are not  
reported in the funds.

The cost of capital assets is: 865,238  
Accumulated depreciation is: (238,537)

Long term liabilities are not due and payable  
in the current period and are not reported  
in the funds:

Bonds Payable (112,800)  
Compensated Absences -

Other long term assets not available to pay  
current period expenditures therefore  
deferred in the funds -

Accrued interest is not included as a liability  
in governmental funds -

Total Net Assets - Governmental Activities

\$ 703,861

The notes to the financial statements are an integral part of this report.

**HEMATITE TOWNSHIP**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**

MARCH 31, 2005

	<u>General Fund</u>	<u>Building Authority</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUE</u></b>				
General Property taxes	\$ 67,526	\$ -	\$ -	\$ 67,526
Other local taxes	29,352			29,352
Sale of property	8,398		125	8,523
Use of money and property	3,834	28,576	110	32,520
Charges for services	1,155		2,275	3,430
Miscellaneous	10,291			10,291
Intergovernmental	<u>156,334</u>		<u>6,368</u>	<u>162,702</u>
<b>TOTAL REVENUE</b>	<b>\$ 276,890</b>	<b>\$ 28,576</b>	<b>\$ 8,878</b>	<b>\$ 314,344</b>
<b><u>EXPENDITURES</u></b>				
Current Operating:				
General government	39,554			39,554
Legislative	12,179			12,179
Township property	45,289			45,289
Public safety	20,835		1,553	22,388
Public works	8,049			8,049
Cemetery			2,407	2,407
Culture and recreation	4,113		5,371	9,484
Debt Service				
Principal		25,000	5,000	30,000
Interest and fees		3,575	3,220	6,795
Capital Outlay	<u>139,669</u>			<u>139,669</u>
<b>TOTAL EXPENDITURES</b>	<b>269,688</b>	<b>28,575</b>	<b>17,551</b>	<b>315,814</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>7,202</b>	<b>1</b>	<b>(8,673)</b>	<b>(1,470)</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in			9,480	9,480
Operating transfers out	<u>(63,251)</u>			<u>(63,251)</u>
<b>Total Other Financing Sources(Uses)</b>	<b>(63,251)</b>	<b>-</b>	<b>9,480</b>	<b>(53,771)</b>
<b>Net Change in Fund Balances</b>	<b>(56,049)</b>	<b>1</b>	<b>807</b>	<b>(55,241)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>219,588</b>	<b>614</b>	<b>24,999</b>	<b>245,201</b>
<b>FUND BALANCE - END OF YEAR</b>	<b><u>\$ 163,539</u></b>	<b><u>\$ 615</u></b>	<b><u>\$ 25,806</u></b>	<b><u>\$ 189,960</u></b>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP
-------------------

**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED MARCH 31, 2005

**Net Change in Fund Balances - Total Governmental Funds** **\$ (55,241)**

Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures; in  
the statement of activities, these costs are allocated over their  
estimated useful lives as depreciation.

Depreciation Expense	(36,121)
Capital Outlay	<u>139,669</u>

Total	\$ 103,548
-------	------------

Proceeds from assets sold and reflected as revenue in the governmental funds, but removed from the net capital assets on the statement of net assets	(35)
---	------

Gain on sale of assets, reflected in the proceeds from assets sold in the governmental funds, but removed from net capital assets on the statement of net assets	(69)
--	------

Revenue reported in the statement of activities that does not provide  
current financial resources and are not reported as revenue  
in the governmental funds

Accrued interest is recorded in the statement of activities when  
incurred; it is not reported in governmental funds until paid

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long term debt)	30,000
---	--------

Increases Decreases in compensated absences are reported as  
expenditures when financial resources are used in the governmental  
funds in accordance with GASB Interpretation No. 6

Eliminate interfund transfers to non-governmental funds

<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 78,203</b>
--	------------------

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP
-------------------

**STATEMENT OF FUND NET ASSETS**  
**ENTERPRISE FUND**

MARCH 31, 2005

	<u>Water Fund</u>
<b><u>ASSETS</u></b>	
<b><i>Current Assets</i></b>	
Cash, Unrestricted	\$ 28,617
Accounts Receivable, Net	6,985
Due from External Parties	115
Internal Balances	<u>53,771</u>
<b>Total Current Assets</b>	89,488
<b><i>Non-current Assets</i></b>	
Cash, Restricted	4,810
Capital Assets:	
Equipment	2,715
Infrastructure	1,209,297
Less:	
Allowance for depreciation	<u>(9,943)</u>
Total Capital Assets, net	1,202,069
<b>Total Non-current Assets</b>	1,206,879
<b>TOTAL ASSETS</b>	<b>\$ 1,296,367</b>
<b><u>LIABILITIES</u></b>	
<b><i>Current Liabilities</i></b>	
Accounts payable	-
Deferred revenues	208
Current portion of long-term debt	<u>8,000</u>
<b>Total Current Liabilities</b>	8,208
<b><i>Long-Term Liabilities</i></b>	
Long-Term Debt	287,000
<b>Total Long-Term Liabilities</b>	<u>287,000</u>
<b>TOTAL LIABILITIES</b>	<b>295,208</b>
<b><u>NET ASSETS</u></b>	
Invested in Capital Assets, Net of Related Debt	907,069
Restricted	94,090
Unrestricted	<u>-</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 1,001,159</u></b>

The notes to the financial statements are an integral part of this report.

**HEMATITE TOWNSHIP**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
ENTERPRISE FUND**

MARCH 31, 2005

	<u>Water Fund</u>
<b><u>OPERATING REVENUES</u></b>	
Charges for Services	\$ 139,516
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 139,516</b>
<b><u>OPERATING EXPENSES</u></b>	
Personal Services and Benefits	15,498
Contractual Services	2,830
Water Purchase	12,493
Repairs and Maintenance	9,143
Other Supplies and Expenses	5,222
Depreciation	9,027
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 54,213</b>
Operating Income (Loss)	85,303
<b><u>Non-Operating Revenues</u></b>	
Federal Grant-Water System Construction	874,700
Internal Balances - Transfer	53,771
Interest Revenue	272
<b>Total Non-Operating Revenues</b>	<b>928,743</b>
<b><u>Non-Operating Expenses</u></b>	
Interest Expense	(5,327)
Cost of Issuance - Revenue Bonds	(15,424)
<b>Total Non-Operating Expenses</b>	<b>(20,751)</b>
Change in Net Assets	993,295
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>7,864</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 1,001,159</b>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP
-------------------

STATEMENT OF CASH FLOWS  
ENTERPRISE FUND

FISCAL YEAR ENDED MARCH 31, 2005

	<u>Water Fund</u>
<b>CASH FLOWS FROM (USED BY)</b>	
<b><u>OPERATING ACTIVITIES</u></b>	
Net cash received from fees and services	\$ 55,815
Other operating revenues	78,346
Cash payments to employees for services	(15,498)
Cash payments to goods and services	(40,528)
Other operating expenses	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 78,135</b>
<b><u>NON CAPITAL AND FINANCING ACTIVITIES</u></b>	
Increase (decrease) in due to other funds	-
(Increase) decrease in due from other funds	(53,886)
Net operating transfers in (out)	53,771
<b>NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES</b>	<b>(115)</b>
<b><u>CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>	
Acquisition and construction of capital assets	(1,209,422)
Principal payment on long-term bonds	-
Interest paid on long-term bonds	(5,327)
Cost of Issuance - Bonds	(15,424)
Interest and tax expense	-
Proceeds from borrowings	295,000
Contributed capital grants	874,700
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>\$ (60,473)</b>
<b><u>INVESTING ACTIVITIES</u></b>	
Interest Income	272
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>\$ 272</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>17,819</b>
Cash and Cash Equivalents, Beginning of Year	15,608
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 33,427</b>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP
-------------------

STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

**CASH FLOWS FROM OPERATING  
ACTIVITIES**

---

Operating Income	\$ 85,303
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	9,027
. Provision for uncollectible accounts	-
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	(4,249)
Increase (Decrease) in accounts payable	(10,840)
Increase (Decrease) in deferred revenue	(1,106)
Increase (Decrease) in customer deposits	-
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 78,135</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP
-------------------

FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2005

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents	<u>\$ 202,582</u>
<b>TOTAL ASSETS</b>	<b>\$ 202,582</b>
<b><u>LIABILITIES</u></b>	
Due to Other Funds	86,731
Due to Other Governmental Units	<u>115,851</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 202,582</b>
<b><u>NET ASSETS</u></b>	
Unrestricted	<u>-</u>
<b>TOTAL NET ASSETS</b>	<b>\$ -</b>

The notes to the financial statements are an integral part of this report.

**NOTES TO THE FINANCIAL STATEMENTS**

**HEMATITE TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS**

*FISCAL YEAR ENDED MARCH 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting methods and procedures adopted by **Hematite Township**, Amasa, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

**THE FINANCIAL REPORTING ENTITY**

The Township was organized in 1891 and covers an area of 99000 acres. The Township operates under an elected board of commissioners (5 people) and provides services to its approximately 366 residents in many areas including law enforcement, general administration and water services. In accordance with the provisions of GASB 14, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by GASB 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

On this basis, the financial statements of the Hematite Township Building Authority are included in the financial statements of the Township.

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements.

**HEMATITE TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BLENDED COMPONENT UNITS (Continued)**

When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

The Hematite Township Building Authority is blended as part of the primary government because its sole purpose is to finance and construct Hematite Township's public buildings.

**HEMATITE TOWNSHIP BUILDING AUTHORITY**

The Hematite Township Building Authority was created by the Township Board of Hematite Township as a separate entity.

HEMATITE TOWNSHIP
-------------------

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HEMATITE TOWNSHIP BUILDING AUTHORITY  
(Continued)

The Articles of Incorporation were adopted by the Township Board on June 27, 1996 under the provisions of Act 31, Public Acts of Michigan, 1948 for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating and maintaining a building or buildings, parking lots or structures, recreational facilities, stadiums, and the necessary sites, and for any and all other purposes authorized and permitted by Act 31.

The Authority is governed by a three member commission consisting of the Chairman, Secretary, and Treasurer.

The Authority entered into an agreement to borrow \$200,000 to be used for the construction of a new Township Hall through the issuance of general obligation limited tax bonds.

HEMATITE TOWNSHIP
-------------------

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HEMATITE TOWNSHIP BUILDING AUTHORITY  
(Continued)

The bonds are secured by a legal agreement with **Hematite Township** and will be retired through lease payments with the Township.

JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be reported.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

There are no jointly governed organizations to be reported.

RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

There are no related organizations to be reported.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**BASIS OF PRESENTATION**

The Township follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

***Management's Discussion and Analysis***

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

***Government-wide financial statements***

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt).

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**BASIS OF PRESENTATION (Continued)**

***Government-wide financial statements  
(Continued)***

Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

***Statement of Net Assets***

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities).

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**BASIS OF PRESENTATION (Continued)**

***Statement of Net Assets (Continued)***

The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

***Statement of Program Activities***

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

***Budgetary comparison schedules***

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

*Budgetary comparison schedules (Continued)*

Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Township and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the Township as a whole) and fund financial statements. The reporting model focus is on both the Township as a whole and the fund financial statements, including the major individual funds of governmental and business-type categories, as well as the fiduciary funds (by category).

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(Continued)

Both governmental-wide and fund financial statements presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The Township generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Township may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.).

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(Continued)

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(Continued)

The Township does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the Township are organized in the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(Continued)

The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The Township's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency).

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(Continued)

Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The following is a brief description of the specific funds used by the Township.

GOVERNMENTAL FUNDS

These funds are those through which most governmental functions typically are financed.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

The acquisition, use, and balances of the Township's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary Fund, are accounted for through the Governmental Funds. These funds are as follows:

*General Fund*

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENTAL FUNDS (Continued)**

**General Fund (Continued)**

For reporting purposes, the General Fund is always considered to be a major fund.

**Special Revenue Funds**

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. The Township's Liquor Law Enforcement, Amasa Community Library Fund and Cemetery Fund are Special Revenue Funds. All three Special Revenue Funds are considered non-major funds for reporting purposes.

**Debt Service Fund**

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The Debt Service fund is a non-major fund for reporting purposes.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

Debt Service Fund (Continued)

The Hematite Township Building Authority has been included as Debt Service Fund type. The governmental funds use the modified accrual basis of accounting. For reporting purposes, the Hematite Township Building Authority is a major fund.

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPRIETARY FUNDS (Continued)

Enterprise Funds (Continued)

The Township's Water Fund is a Proprietary Fund.

FIDUCIARY FUNDS

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

The Township's Current Tax Collection Fund (Agency Fund) is a Fiduciary Fund. Agency funds are custodial in nature and do not involve measurement of results of operations.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FIDUCIARY FUNDS (Continued)

Accounting for Expendable Trust funds parallels accounting for governmental funds (modified accrual basis/approximate flow of current financial resources). Pension Trust Funds and Nonexpendable Trust Funds are accounted for in a manner similar to proprietary funds (accrual basis/flow of economic resources).

MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus.

With this measurement focus, only current liabilities generally are included on the balance sheet in the funds statements.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statement of net assets and statement of activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus.

With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, and financial statements of the Proprietary Fund and the Fiduciary Fund are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, and Debt Service funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

It is the Township's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CASH AND CASH EQUIVALENTS

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Township classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

INVENTORIES

Inventories of supplies are expended as received.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

RECEIVABLES

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General and Special Revenue Funds. User charges for the Proprietary Fund are recorded as receivable when billed. On an annual basis the charges are reviewed for collectibility. Those deemed uncollectible are assigned to the tax roll.

INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

DUE TO/FROM OTHER FUNDS

Transactions between funds that had not been paid or received as of fiscal year end have been recorded as inter-fund accounts receivable and payable in the financial statements.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

DUE TO/FROM OTHER FUNDS (Continued)

These inter-fund receivables and payables do not represent Board-approved loans between funds.

DEFERRED REVENUE

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes.

**HEMATITE TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**FUND EQUITY (Continued)**

Designated fund balances represent amounts earmarked by the Township for future expenditures.

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the Township for future expenditures.

**BUDGETS AND BUDGETARY ACCOUNTING**

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Annual appropriated budgets are adopted for the general and special revenue funds. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31 of the preceding fiscal year, the Township prepares a budget for the next fiscal year beginning April 01. The operating budget includes proposed expenditures and the means of financing them.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING (Continued)

2. A meeting of the Township Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to April 01, the budget is legally enacted through passage of a resolution by the members of the Township Board.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Township Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

**HEMATITE TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**PROPERTY TAX**

Property taxes are levied on December 31 and payable in two installments, July 01 and December 01. Property taxes are declared delinquent the following March 01, when they become a lien. The Township bills and collects its own property taxes and also collects taxes for the school district, county, and library.

Collections for the schools, county, and library are accounted for in the Trust and Agency Fund. Township property tax revenues are recognized when levied to the extent they are receivable. The County of Iron purchases from the Township the delinquent real property taxes outstanding as of March 01 of each year.

The 2004 taxable valuation of the Township totaled \$ 11,132,655, on which ad valorem taxes levied consisted of 6.0660 mills for general operating purposes.

**HEMATITE TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**NON-MONETARY TRANSACTIONS**

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

**CAPITAL ASSETS**

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds (when applicable) and as assets in the governmental-wide statements to the extent the Township's capitalization threshold of \$ 500 is met.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings..... 20 - 30 years

Infrastructure..... 10 - 65 years

Furniture and Other

Equipment..... 5 - 20 years

To the extent the Township's capitalization threshold of \$ 500 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Land Improvements..... 20 years

Equipment..... 5 - 20 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES

The Township has no employees eligible to accrue vacation or sick leave benefits.

POST-EMPLOYMENT BENEFITS

The Township offers no post-employment benefits.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE B - INTER-FUND ACTIVITIES (CONTINUED)

INTER-FUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables do not represent inter-fund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

The amounts of the inter-fund receivables and payables as of March 31, 2005 were as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
General	\$ 86616	\$ 53771
Trust and Agency	0	86731
Water Fund	<u>53886</u>	<u>0</u>
<b>Totals</b>	<b>\$ <u>140502</u></b>	<b>\$ <u>140502</u></b>

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

INTER-FUND RECEIVABLES AND PAYABLES  
(Continued)

At March 31, 2005, the Trust and Agency (Tax Collection) Fund held monies collected for the General Fund and delinquent water bills put on and collected through the tax roll.

The General Fund owed the Water Fund monies resulting from a transfer for the Township contribution relating to the Water System Improvement Project.

OPERATING TRANSFERS

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the current fiscal year ended March 31, 2005, the Township authorized the following transfers:

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

OPERATING TRANSFERS (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 63251
Liquor Law Enforcement Fund	260	0
Amasa Community Library Fund	1000	0
Debt Service Fund	8220	0
Water Fund	<u>53771</u>	<u>0</u>
Total Operating Transfers	\$ 63251	\$ 63251

The General Fund transferred \$ 53,771 to the Water (Construction) Fund as a Township contribution to the Water System Improvement Project. The General Fund also transferred funds to support the operation of other funds for the benefit of all Township residents.

**HEMATITE TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2005*

**NOTE B - INTERFUND ACTIVITIES (CONTINUED)**

**OTHER FINANCING SOURCES (USES)**

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS**

**2004 WATER REVENUE BOND**

The bonding ordinance for Hematite Township 2004 Water Revenue Bond requires certain cash balances be reserved, as follows:

**BOND AND INTEREST REDEMPTION FUND**

Each quarter of the fiscal year, revenues must be transferred to the Bond and Interest Redemption Fund before any other expenditures or transfers. Sufficient amounts must be set aside to pay for the principal and interest payments on the bonds.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

BOND AND INTEREST REDEMPTION FUND

(Continued)

On March 31, 2005, the Township was required to have a balance of \$ 3,318. The actual balance was \$ 3,318.

The Township was in compliance with this requirement.

RESERVE ACCOUNT

Beginning September 01, 2004, there shall be withdrawn from the Receiving Fund at the beginning of each fiscal year quarter and set aside in and transferred to the Bond Reserve Account, after provision has been made for the Operation and Maintenance Account and the current requirements of the Bond and Interest Redemption Account, the sum of at least \$ 412.50 per quarter (\$ 1,650 annually) until there is accumulated in such fund the sum of the lesser of \$ 16,500.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

RESERVE ACCOUNT (Continued)

The monies in the Bond Reserve Account shall be used solely for the payment of the principal installments of and interest on the Bond as to which there would otherwise be default.

The required balance on March 31, 2005 was \$ 825. The actual balance was \$ 825.

The Township was in compliance with this requirement.

REPAIR, REPLACEMENT, AND IMPROVEMENT ACCOUNT

The bonding ordinance requires the establishment of a Repair, Replacement, and Improvement Fund to be used for the purpose of paying the cost of (a) repairing any damage to and emergency maintenance of the system, (b) repairing or replacing obsolete, deteriorating, deteriorated or worn out portions of the system, (c) acquiring and constructing extensions and improvement to the system, and (d) when necessary, for the purpose of making payments of principal and interest on the Bond.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

REPAIR, REPLACEMENT, AND IMPROVEMENT ACCOUNT  
(Continued)

If the amount in the Bond and Interest Redemption Account and the Bond Reserve Account is not sufficient to pay the principal of and interest on the bond when due, the monies in the RRI Account shall be transferred to the Bond and Interest Redemption Account and used for that purpose.

Beginning September 01, 2004, revenues shall be transferred each quarter of the fiscal year from the Receiving Fund and deposited in the RRI Account in an amount not less than \$ 746.75, less the amount, if any, deposited in the Bond Reserve Account at the beginning of the same fiscal year quarter that is specified for the Bond.

The required balance of this account on March 31, 2005 was \$ 666.50. The actual balance was \$ 666.50.

As of March 31, 2005, the Township was in compliance with the above funding requirements.

HEMATITE TOWNSHIP
-------------------

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT

On March 31, 2005, the carrying value of the Township's deposits (Primary Government) was \$ 385,733 and is comprised of cash and deposits reflected in the following funds:

<b>Governmental Funds</b>	
General Fund	\$ 123303
Amasa Community Library	18497
Cemetery Fund	7309
Debt Service	0
Building Authority	<u>615</u>
<b>Total Governmental Funds</b>	<b>149724</b>
<b>Enterprise Funds</b>	
Water Fund	<u>33427</u>
<b>Total Enterprise Funds</b>	<b>33427</b>
<b>Fiduciary Funds</b>	
Tax Collection Fund	<u>202582</u>
<b>Total Fiduciary Funds</b>	<b>202582</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 385733</b>

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

Category 1	Deposits which are insured or collateralized with securities held by the Township or by its agent in the Township's name.
------------	---

Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.
------------	--

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Category 3                      Deposits which are not  
                                 collateralized                      or  
                                 insured.

Based on these levels of risk, the Township's  
cash deposits (Primary Government) are  
classified as follows:

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

	<u>Category</u> <u>1</u>	<u>Category</u> <u>2</u>	<u>Category</u> <u>3</u>	<u>Totals</u>
Cash and Deposits	\$ 238879	\$ -0-	\$ 146854	\$ 385733

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS

The Township's investments are categorized below to give an indication of the level of risk assumed at year-end. **Category 1** includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. **Category 2** includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Township's name. **Category 3** includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Township's name.

There are no investments for the Township, as reflected below:

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

<u>Investment Type</u>	<u>Category</u> <u>1</u>	<u>Category</u> <u>2</u>	<u>Category</u> <u>3</u>	<u>Carrying</u> <u>Value</u>	<u>Market</u> <u>Value</u>
	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total Investments	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the Township to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

5. Bankers acceptances of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The Township has adopted an investment policy, allowing for all types of deposits and investments listed above. The Township's deposits and investments are in compliance with its investment policy.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE D - PENSION PLAN

The Township maintains a fully funded pension plan for its full-time employees and trustees. The Township's pension plan for July 01, 2004 through December 31, 2004 was through Manu-life Financial. As of January 01, 2005, the pension plan is through Met Life. The contribution for the year ended March 31, 2005 was \$ 4,131 of which \$ 2,099 was contributed through payroll withholding. The plan is fully funded by annuity contracts. On the most recent statement prepared, as of March 2005, the value of account balances was \$ 50,140.

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

BUDGET VIOLATIONS

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

The Township's actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS  
(CONTINUED)

BUDGET VIOLATIONS (Continued)

The approved budgets of Hematite Township were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the fund financial statements.

The total actual 2004-2005 expenditures for the following activities (cost centers) exceeded the amended budget allocations by a total of \$ 3,424 contrary to the provisions of section 17 of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

<u>ACTIVITY (COST CENTER)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>EXPENDITURES</u>
<u>General Fund</u>			
Township Property	\$ 45289	\$ 43251	\$ 2038
Public Safety	20835	20162	673
Transfer Out	63251	62991	260
<u>Liquor Law Enforcement Fund</u>			
Public Safety	1553	1100	453

**HEMATITE TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2005*

**NOTE F - ACCUMULATED FUND DEFICITS**

At March 31, 2005, the Township had no fund balance/retained earnings deficit in any fund.

**NOTE G - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

**NOTE H - CAPITAL ASSETS**

The following is a summary of the changes in capital assets for the fiscal year ended March 31, 2005:

**HEMATITE TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2005*

**NOTE H - CAPITAL ASSETS (CONTINUED)**

	Balance March 31, 2004	<u>Increases</u>	<u>Decreases</u>	Balance March 31, 2005
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
Capital Assets Not Being Depreciated	\$	\$	\$	\$
Land and Land Improvements	132	0	0	132
 Total Capital Assets Not Being Depreciated	 \$ 132	 \$ 0	 \$ 0	 \$ 132
 <u>Other Capital Assets</u>				
Land Improvements	2962			2962
Buildings	406278			406278
Furniture & Other Equip.	317236	139669	(1039)	455866
 Total Other Cap. Assets	 \$ 726476	 \$ 139669	 \$ 0	 \$ 865106
 <u>Less Accumulated Depreciation for:</u>				
Land Improvements	(666)	(148)		(814)
Buildings	(49541)	(8125)	0	(57666)
Furniture & Other Equip.	(153145)	(27848)	935	(180058)
 Total Accum. Depreciation	 (203352)	 (36121)	 935	 (238538)
 Other Capital Assets, Net	 523124	 103548	 (104)	 626568
 <b>TOTAL GOVERNMENTAL ACTIVITIES</b>	 \$ <u>523256</u>	 \$ <u>103548</u>	 \$ <u>(104)</u>	 \$ <u>626700</u>

Depreciation was charged to governmental  
functions as unallocated.

HEMATITE TOWNSHIP
-------------------

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended March 31, 2005:

	Balance March 31, 2004	Increases	Decreases	Balance March 31, 2005
<u>BUSINESS-TYPE ACTIVITIES</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Capital Assets:</u>				
Machinery and Equipment	1326	1389	0	2715
Water Mains/Lines	1264	1208033		1209297
<b>Total Capital Assets</b>	<b>\$ 2590</b>	<b>\$ 1209422</b>	<b>\$ 0</b>	<b>\$ 1212012</b>

(Continued on page 92)

**HEMATITE TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2005*

**NOTE H - CAPITAL ASSETS (CONTINUED)**

**BUSINESS-TYPE ACTIVITIES (Continued)**

(Continued from previous page)

	Balance March 31, <u>2004</u>	<u>Increases</u>	<u>Decreases</u>	Balance March 31, <u>2005</u>
<b>Less Accumulated Depreciation for:</b>				
Machinery and	\$	\$	\$	\$
Equipment	(284)	(328)	0	(612)
Water Mains/Lines	<u>(632)</u>	<u>(8699)</u>	<u>0</u>	<u>(9331)</u>
<b>Total Accumulated Depreciation</b>	<u>(916)</u>	<u>(9027)</u>	<u>0</u>	<u>(9943)</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ <u>1674</u></b>	<b>\$ <u>1200395</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>1202069</u></b>

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE I - LONG-TERM DEBT

	<u>March 31,</u> <u>2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>March 31,</u> <u>2005</u>
Building Authority				
Bonds Payable	\$ 75000	\$	\$ 25000	\$ 50000
USDA Rural Development				
Notes Payable	<u>67800</u>	<u>0</u>	<u>5000</u>	<u>62800</u>
 Total	 \$ 142800	 \$ 0	 \$ 30000	 \$ 112800

TOWNSHIP OF HEMATITE BUILDING AUTHORITY

On October 01, 1996, the Township of Hematite Building Authority issued a 1996 Building Authority Bond (General Obligation Limited Tax).

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

TOWNSHIP OF HEMATITE BUILDING AUTHORITY  
(Continued)

The bond is one of a total authorized issue of bonds of even Date of Original Issue aggregating the principal sum of \$ 200,000, issued under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 31, and pursuant to the Resolution duly adopted by the Commission of the Authority for the purpose of paying the cost of acquiring, constructing, and equipping a building to be used by the Township to house a library, meeting room, and fire department.

The payments required to amortize this debt are as follows:

<u>Year Ending</u> <u>March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 25000.00	\$ 2162.00	\$ 27162.00

(Continued on page 95)

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

TOWNSHIP OF HEMATITE BUILDING AUTHORITY  
(Continued)

<u>Year Ending</u> <u>March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 25000.00	\$ 1450.00	\$ 26450.00
	\$ 50000.00	\$ 3162.00	\$ 53612.00

USDA/RURAL DEVELOPMENT

On April 17, 2002, the Township was awarded a loan/grant from the United States Department of Agriculture/Rural Development for the purpose of purchasing and equipping a fire truck. The Township received a grant in the amount of \$40,000, a loan in the amount of \$77,800, with Township matching funds of \$50,000, for the total project cost of \$167,800.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

USDA/RURAL DEVELOPMENT (Continued)

The note bears interest at the rate of 4.75%, and is payable on April 01 and October 01 of each year. Principal payments are due on April 01 in the amount of \$ 5,000 from 2003 through 2014; in the amount of \$ 6,000 on April 01, 2015 and 2016, and on April 01, 2017 in the amount of \$ 6,800, when the note matures.

2004 WATER REVENUE BONDS PAYABLE

On June 08, 2004 the Township approved the issuance of Water Supply Revenue Bonds in the amount of \$ 295,000 for the purposes of acquisition, construction, furnishing and equipping of improvements and extensions to the existing Water Supply System.

Water Supply System Bonds mature annually on July 01 of each year through July 01, 2044. Interest is payable semi-annually on January 01 and July 01 of each year at a rate of 4.50% per annum.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

2004 WATER REVENUE BONDS PAYABLE (Continued)

Scheduled payments of principal and interest  
are as follows:

	<u>July 01</u>		<u>January 01</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 8000	\$ 6638	\$ 0	\$ 14638
2006	3000	6457	6457	15914
2007	3000	6390	6390	15780
2008	3000	6322	6322	15644
2009	3000	6255	6255	15510
2010	3000	6187	6187	15374
2011	4000	6120	6120	16240
2012	4000	6030	6030	16060

(Continued on page 98)

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE I - LONG-TERM DEBT (CONTINUED)

2004 WATER REVENUE BONDS PAYABLE (Continued)

(Continued from previous page)

	<u>July 01</u>		<u>January 01</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2013-2017	\$ 21000	\$ 28801	\$ 28801	\$ 78602
2018-2022	27000	26191	26191	79382
2023-2027	33000	22882	22882	78764
2028-2032	42000	18765	18765	79530
2033-2037	51000	13680	13680	78360
2038-2042	64000	7358	7358	78716
2043-2044	26000	832	832	27664
Totals	\$ 295000	\$ 168908	\$ 162270	\$ 626178

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE J - SEGMENT INFORMATION - Enterprise Funds (CONTINUED)

	<u>Water Fund</u>
Operating Revenues	\$ 139516
Depreciation and Amortization Expense	9027
Operating Income or (Loss)	85303
Operating Grants, Entitlements, and Shared Revenues	874700
Operating Transfers:	
In	53771
(Out)	0
Tax Revenues	0
Net Income or Loss	993295
Current Capital:	
Contributions	0
Transfers	0
Property, Plant, and Equipment	
Additions	1209422
Deletions	0

(Continued on page 100)

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE J - SEGMENT INFORMATION - Enterprise Funds (CONTINUED)

(Continued from previous page)

		<u>Water Fund</u>
Net Working Capital	\$	94090
Total Assets		1296367
Bonds and Other Long-Term Liabilities		
Payable from Operating Revenues		295000
Payable from Other Sources		0
Total Equity		1001159

NOTE K - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

NOTE K - RELATED PARTY TRANSACTIONS (CONTINUED)

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there were no related party transactions reported in the financial statements.

NOTE L - SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure.

**HEMATITE TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2005*

**NOTE L - SUBSEQUENT EVENTS (CONTINUED)**

They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended March 31, 2005, there were no subsequent events that would have a significant affect on the Township's operations.

**NOTE M - COMMITMENTS AND CONTINGENCIES**

There are no commitments and contingencies to be reported for the Township for the fiscal year ended March 31, 2005.

**REQUIRED SUPPLEMENTAL INFORMATION**

HEMATITE TOWNSHIP
-------------------

**REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

YEAR ENDED MARCH 31, 2005

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>
<b><u>REVENUES</u></b>			
General Property Taxes	\$ 71,500	\$ 71,500	\$ 67,526
Other Local Taxes	19,000	21,550	29,352
Fire Protection Agreement	600	855	1,155
Sale of Property	8,538	8,400	8,398
Use of Money and Property	4,300	1,532	3,834
Miscellaneous	10,462	7,100	10,291
Intergovernmental	<u>157,500</u>	<u>158,500</u>	<u>156,334</u>
<b>TOTAL REVENUES</b>	<b>\$ 271,900</b>	<b>\$ 269,437</b>	<b>\$ 276,890</b>
<b><u>EXPENDITURES</u></b>			
Legislative	12,940	15,460	12,179
General Government	42,025	39,588	39,554
Township Property	40,575	43,251	45,289
Public Works	8,210	8,058	8,049
Public Safety	18,750	20,162	20,835
Recreation and Cultural	7,500	4,125	4,113
Capital Outlay	<u>134,500</u>	<u>140,406</u>	<u>139,669</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 264,500</b>	<b>\$ 271,050</b>	<b>\$ 269,688</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>7,400</b>	<b>(1,613)</b>	<b>7,202</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating Transfers In (Out)	<u>(9,400)</u>	<u>(62,991)</u>	<u>(63,251)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(9,400)</b>	<b>(62,991)</b>	<b>(63,251)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,000)</b>	<b>(64,604)</b>	<b>(56,049)</b>
<b>FUND BALANCE, APRIL 1</b>	<b><u>219,588</u></b>	<b><u>219,588</u></b>	<b><u>219,588</u></b>
<b>FUND BALANCE, MARCH 31</b>	<b><u><u>\$ 217,588</u></u></b>	<b><u><u>\$ 154,984</u></u></b>	<b><u><u>\$ 163,539</u></u></b>

The notes to the financial statements are an integral part of this report.

**OTHER SUPPLEMENTAL INFORMATION**

<b>HEMATITE TOWNSHIP</b>
--------------------------

**OTHER SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS**

MARCH 31, 2005

	<u>Cemetery Fund</u>	<u>Liquor Law Enforcement Fund</u>	<u>Amasa Community Library</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>					
Cash and Investments (Note C )	\$ 7,309	\$ -	\$ 18,497	\$ -	\$ 25,806
<b>TOTAL ASSETS</b>	<b>\$ 7,309</b>	<b>\$ -</b>	<b>\$ 18,497</b>	<b>\$ -</b>	<b>\$ 25,806</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
Liabilities	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>FUND BALANCES</u></b>					
Reserved for Cemetery	7,309				7,309
Reserved for Library			18,497		18,497
Reserved for Debt Service				-	-
Unreserved and Undesignated	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ 7,309</b>	<b>0</b>	<b>\$ 18,497</b>	<b>0</b>	<b>\$ 25,806</b>

The notes to the financial statements are an integral part of this report.

**HEMATITE TOWNSHIP**

**OTHER SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS**

YEAR ENDED MARCH 31, 2005

	Cemetery Fund	Liquor Law Enforcement Fund	Amasa Community Library	Debt Service Fund	Totals
<b><u>REVENUE</u></b>					
Sale of property	\$ 125	\$ -	\$ -	\$ -	\$ 125
Use of money and property			110		110
Charges for services	2,275				2,275
Intergovernmental		1,293	5,075		6,368
<b>TOTAL REVENUE</b>	<b>\$ 2,400</b>	<b>\$ 1,293</b>	<b>\$ 5,185</b>	<b>\$ -</b>	<b>\$ 8,878</b>
<b><u>EXPENDITURES</u></b>					
Current:					
Public safety		1,553			1,553
Cemetery	2,407				2,407
Culture and recreation			5,371		5,371
Debt Service					
Principal				5,000	5,000
Interest and Fees				3,220	3,220
<b>TOTAL EXPENDITURES</b>	<b>2,407</b>	<b>1,553</b>	<b>5,371</b>	<b>8,220</b>	<b>17,551</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(7)</b>	<b>(260)</b>	<b>(186)</b>	<b>(8,220)</b>	<b>(8,673)</b>
<b><u>Other Financing Sources (Uses)</u></b>					
Operating transfers in	-	260	1,000	8,220	9,480
Operating transfers out	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>260</b>	<b>1,000</b>	<b>8,220</b>	<b>9,480</b>
<b>Net Change in Fund Balances</b>	<b>(7)</b>	<b>-</b>	<b>814</b>	<b>-</b>	<b>807</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>7,316</b>	<b>-</b>	<b>17,683</b>	<b>-</b>	<b>24,999</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 7,309</b>	<b>0</b>	<b>\$ 18,497</b>	<b>0</b>	<b>\$ 25,806</b>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS

MARCH 31, 2005

	CEMETERY FUND	LIQUOR LAW ENFORCEMENT FUND	AMASA COMMUNITY LIBRARY	TOTALS
<b><u>ASSETS</u></b>				
Cash	\$ 7,309	\$ -	\$ 18,497	\$ 25,806
<b>TOTAL ASSETS</b>	<b>\$ 7,309</b>	<b>\$ -</b>	<b>\$ 18,497</b>	<b>\$ 25,806</b>
<b><u>FUND EQUITY</u></b>				
Fund Balance	7,309	-	18,497	25,806
<b>TOTAL FUND EQUITY</b>	<b>\$ 7,309</b>	<b>\$ -</b>	<b>\$ 18,497</b>	<b>\$ 25,806</b>

The notes to the financial statements are an integral part of this report.

**HEMATITE TOWNSHIP**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY  
ALL SPECIAL REVENUE FUND TYPES**

FISCAL YEAR ENDED MARCH 31, 2005

	<u>CEMETERY FUND</u>	<u>LIQUOR LAW ENFORCEMENT FUND</u>	<u>AMASA COMMUNITY LIBRARY</u>	<u>TOTALS</u>
<b><u>REVENUES</u></b>				
<b><u>Local Sources</u></b>				
Charges for Services	\$ 2,275	\$ -	\$ -	\$ 2,275
Sale of Lots	125	-	-	125
<b>Total Other Sources</b>	<b>2,400</b>	<b>-</b>	<b>-</b>	<b>2,400</b>
<b><u>State Sources</u></b>				
State Grants	-	1,293	-	1,293
Penal Fines	-	-	5,075	5,075
<b>Total State Sources</b>	<b>-</b>	<b>1,293</b>	<b>5,075</b>	<b>6,368</b>
<b><u>Other Sources</u></b>				
Interest Income	-	-	110	110
<b>Total Other Sources</b>	<b>-</b>	<b>-</b>	<b>110</b>	<b>110</b>
<b>TOTAL REVENUES</b>	<b>\$ 2,400</b>	<b>\$ 1,293</b>	<b>\$ 5,185</b>	<b>\$ 8,878</b>
<b><u>EXPENDITURES</u></b>				
Cemetery	2,407	-	-	2,407
Public Safety	-	1,553	-	1,553
Library	-	-	5,371	5,371
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,407</b>	<b>\$ 1,553</b>	<b>\$ 5,371</b>	<b>\$ 9,331</b>
Excess of Revenues Over (Under) Expenditures	(7)	(260)	(186)	(453)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Operating Transfers In (Out)	-	260	1,000	1,260
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(7)	-	814	807
FUND BALANCE, APRIL 1	7,316	-	17,683	24,999
<b>FUND BALANCE, MARCH 31</b>	<b>\$ 7,309</b>	<b>\$ -</b>	<b>\$ 18,497</b>	<b>\$ 25,806</b>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP
-------------------

COMBINING BALANCE SHEET  
DEBT SERVICE FUND TYPES

MARCH 31, 2005

	DEBT SERVICE FUND	HEMATITE TOWNSHIP BUILDING AUTHORITY	TOTALS
<u>ASSETS</u>			
Cash	\$ -	\$ 615	\$ 615
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 615</u>	<u>\$ 615</u>
<u>FUND EQUITY</u>			
Fund Balance	-	615	615
TOTAL FUND EQUITY	<u>\$ -</u>	<u>\$ 615</u>	<u>\$ 615</u>

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
--------------------------

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
DEBT SERVICE FUND TYPES**

*FISCAL YEAR ENDED MARCH 31, 2005*

	<u>DEBT SERVICE FUND</u>	<u>HEMATITE TOWNSHIP BUILDING AUTHORITY</u>	<u>TOTALS</u>
<b><u>REVENUES</u></b>			
Rental Income	\$ -	\$ 28,575	\$ 28,575
Interest Income	-	1	1
	<hr/>	<hr/>	<hr/>
<b>TOTAL REVENUES</b>	<b>\$ -</b>	<b>\$ 28,576</b>	<b>\$ 28,576</b>
 <b><u>EXPENDITURES</u></b>			
Principal	5,000	25,000	30,000
Interest	3,220	3,575	6,795
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	<b>\$ 8,220</b>	<b>\$ 28,575</b>	<b>\$ 36,795</b>
 Excess of Revenues Over (Under) Expenditures	 (8,220)	 1	 (8,219)
 <b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating Transfers In (Out)	8,220	-	8,220
	<hr/>	<hr/>	<hr/>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	 - -	 1	 1
 FUND BALANCE, APRIL 1	 -	 614	 614
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE, MARCH 31</b>	<b>\$ -</b>	<b>\$ 615</b>	<b>\$ 615</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP
-------------------

**BALANCE SHEET  
GENERAL FUND**

MARCH 31, 2005

**ASSETS**

Cash and Deposits:

Unrestricted

\$ 123,303

Receivables:

Taxes

7,391

Accounts

-

Due From Other Funds

86,616

**TOTAL ASSETS**

**\$ 217,310**

**LIABILITIES AND FUND EQUITY**

**LIABILITIES**

Due To Other Funds

53,771

**TOTAL LIABILITIES**

**\$ 53,771**

**FUND EQUITY**

Fund Balance, Designated for Fire Department

190

Fund Balance , Unreserved and Undesignated

163,349

**TOTAL FUND EQUITY**

**163,539**

**TOTAL LIABILITIES AND FUND EQUITY**

**\$ 217,310**

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
--------------------------

**STATEMENT OF REVENUES  
GENERAL FUND  
ACTUAL AND BUDGET**

*FISCAL YEAR ENDED MARCH 31, 2005*

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>TAXES</u></b>			
Current Tax Levy	\$ 67,526	\$ -	\$ -
Commercial Forest/Swamp Tax	26,705		
Other Taxes	2,647		
<b>TOTAL TAXES</b>	<b>96,878</b>	<b>93,050</b>	<b>3,828</b>
<b><u>STATE-SHARED RECEIPTS</u></b>			
Sales Tax	26,772		
Metro Act	3,062		
<b>TOTAL STATE-SHARED RECEIPTS</b>	<b>29,834</b>	<b>29,000</b>	<b>834</b>
<b><u>FEDERAL GRANTS</u></b>			
Grants	126,500		
<b>TOTAL FEDERAL GRANTS</b>	<b>126,500</b>	<b>129,500</b>	<b>(3,000)</b>
<b><u>CHARGES FOR SERVICES</u></b>			
Fire Services	1,155		
<b>TOTAL CHARGES FOR SERVICES</b>	<b>1,155</b>	<b>855</b>	<b>300</b>
<b><u>INTEREST AND RENTAL</u></b>			
Interest	3,684		
Hall Rental	150		
<b>TOTAL INTEREST AND RENTAL</b>	<b>3,834</b>	<b>1,532</b>	<b>2,302</b>
<b><u>OTHER REVENUE</u></b>			
Sale of Assets	8,398		
Donations	8,420		
Miscellaneous	1,871		
<b>TOTAL OTHER REVENUE</b>	<b>18,689</b>	<b>15,500</b>	<b>3,189</b>
<b>TOTAL REVENUES</b>	<b><u>\$ 276,890</u></b>	<b><u>\$ 269,437</u></b>	<b><u>\$ 7,453</u></b>

The notes to the financial statements are an integral part of this report.

**HEMATITE TOWNSHIP**

**STATEMENT OF EXPENDITURES  
GENERAL FUND  
ACTUAL AND BUDGET**

*FISCAL YEAR ENDED MARCH 31, 2005*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>LEGISLATIVE</u></b>			
<b><u>Township Board</u></b>			
Salaries	\$ 2,330	\$ -	\$ -
Fringe Benefits	2,209		
Legal Services	548		
Accounting and Audit	4,974		
Supplies	385		
Membership Dues/Education	514		
Miscellaneous	1,219		
	<hr/>	<hr/>	<hr/>
<b>TOTAL LEGISLATIVE</b>	<b>\$ 12,179</b>	<b>\$ 15,460</b>	<b>\$ 3,281</b>
<b><u>GENERAL GOVERNMENT</u></b>			
<b><u>Supervisor</u></b>			
Salaries	10,800		
Fringe Benefits	826		
Supplies	470		
Membership Dues/Education	75		
Mileage	342		
	<hr/>	<hr/>	<hr/>
<b>Total Supervisor</b>	<b>12,513</b>	<b>12,537</b>	<b>24</b>
<b><u>Assessment</u></b>			
Tax Roll Preparation	2,902		
	<hr/>	<hr/>	<hr/>
<b>Total Assessment</b>	<b>2,902</b>	<b>2,902</b>	<b>-</b>
<b><u>Elections</u></b>			
Professional Fees	495		
Supplies	750		
Printing/Publishing	91		
	<hr/>	<hr/>	<hr/>
<b>Total Elections</b>	<b>\$ 1,336</b>	<b>\$ 1,346</b>	<b>\$ 10</b>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP
-------------------

STATEMENT OF EXPENDITURES  
GENERAL FUND  
ACTUAL AND BUDGET  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<b><u>GENERAL GOVERNMENT (Continued)</u></b>			
<u>Clerk</u>			
Salaries	\$ 8,100	\$ -	\$ -
Fringe Benefits	620		
Office Supplies	74		
Supplies	1,241		
Computer	658		
Membership Dues/Education	423		
Mileage	521		
	11,637	11,697	60
<b>Total Clerk</b>	11,637	11,697	60
<u>Treasurer</u>			
Salaries	7,779		
Fringe Benefits	596		
Office Supplies	370		
Supplies	437		
Computer	483		
Membership Dues/Education	288		
Mileage	779		
	10,732	10,581	(151)
<b>Total Treasurer</b>	10,732	10,581	(151)
<u>Board of Review</u>			
Contract Services	434		
	434	525	91
<b>Total Board of Review</b>	434	525	91
<b>TOTAL GENERAL GOVERNMENT</b>	<b>\$ 39,554</b>	<b>\$ 39,588</b>	<b>\$ 34</b>

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
--------------------------

**STATEMENT OF EXPENDITURES  
GENERAL FUND  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2005*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>TOWNSHIP PROPERTY</u></b>			
<b><u>Township Hall</u></b>			
Salaries	\$ 5,578	\$ -	\$ -
Fringe Benefits	427		
Supplies	528		
Gasoline and Oil	124		
Insurance	2,207		
Utilities	2,923		
Telephone	1,685		
Maintenance and Repair	228		
Hydrant Rental	3,000		
Lease Expense	28,575		
Mileage	14		
	45,289	43,251	(2,038)
<b>Total Township Hall</b>	45,289	43,251	(2,038)
<b>TOTAL TOWNSHIP PROPERTY</b>	<b>\$ 45,289</b>	<b>\$ 43,251</b>	<b>\$ (2,038)</b>
 <b><u>DEPARTMENT OF PUBLIC WORKS</u></b>			
Streets and Roads :			
Salaries	923		
Fringe Benefits	71		
Street Lighting	7,055		
	8,049	8,058	9
<b>TOTAL DEPARTMENT OF PUBLIC WORKS</b>	<b>\$ 8,049</b>	<b>\$ 8,058</b>	<b>\$ 9</b>
 <b><u>PUBLIC SAFETY</u></b>			
Fire Protection			
Professional Fees/Contracted Services	720	-	-
Supplies	800		
Gasoline and Oil	344		
Insurance	13,394		
Advertising	310		
Membership Dues/Education	752		
Maintenance and Repairs	293		
Mileage	42		
Miscellaneous	4,180		
	20,835	20,162	(673)
<b>TOTAL PUBLIC SAFETY</b>	<b>\$ 20,835</b>	<b>\$ 20,162</b>	<b>\$ (673)</b>

The notes to the financial statements are an integral part of this report.

<b>HEMATITE TOWNSHIP</b>
--------------------------

**STATEMENT OF EXPENDITURES  
GENERAL FUND  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2005*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>RECREATION AND CULTURAL</u></b>			
Parks			
Salaries	\$ 1,774	\$ -	\$ -
Fringe Benefits	136		
Supplies	69		
Gasoline and Oil	193		
Utilities	1,891		
Miscellaneous	50		
	<hr/>	<hr/>	<hr/>
<b>TOTAL RECREATION AND CULTURAL</b>	<b>\$ 4,113</b>	<b>\$ 4,125</b>	<b>\$ 12</b>
<b>CAPITAL OUTLAY</b>	<b>139,669</b>	<b>140,406</b>	<b>737</b>
<b>TOTAL EXPENDITURES</b>	<b>269,688</b>	<b>271,050</b>	<b>1,362</b>
<b><u>OTHER FINANCING USES</u></b>			
Transfer to Other Funds :			
Library Fund	1,000	1,000	-
Liquor Law Enforcement Fund	260	-	(260)
Debt Service Fund	8,220	8,220	-
Water Fund	53,771	53,771	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL OTHER FINANCING USES</b>	<b>63,251</b>	<b>62,991</b>	<b>(260)</b>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b><u>\$ 332,939</u></b>	<b><u>\$ 334,041</u></b>	<b><u>\$ 1,102</u></b>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET  
CEMETERY FUND

MARCH 31, 2005

ASSETS

Cash

\$ 7,309

TOTAL ASSETS

\$ 7,309

FUND EQUITY

Fund Balance

7,309

TOTAL FUND EQUITY

\$ 7,309

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP
-------------------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
CEMETERY FUND

FISCAL YEAR ENDED MARCH 31, 2005

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<b><u>REVENUES</u></b>			
Charges for Services	\$ 2,275	\$ -	\$ -
Sale of Lots	125		
	<hr/>	<hr/>	<hr/>
<b>TOTAL REVENUES</b>	<b>\$ 2,400</b>	<b>\$ 2,300</b>	<b>\$ 100</b>
 <b><u>EXPENDITURES</u></b>			
Salaries	2,060	-	-
Fringe Benefits	158		
Supplies	2		
Advertising	20		
Gasoline and Oil	157		
Mileage	10		
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,407</b>	<b>\$ 2,410</b>	<b>\$ 3</b>
 Excess of Revenues Over (Under) Expenditures	 (7)	 (110)	 103
 FUND BALANCE, APRIL 1	 <hr/> 7,316		
<b>FUND BALANCE, MARCH 31</b>	<b><u><u>\$ 7,309</u></u></b>		

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET  
LIQUOR LAW ENFORCEMENT FUND

MARCH 31, 2005

ASSETS

Cash

\$ -

TOTAL ASSETS

\$ -

FUND EQUITY

Fund Balance

\$ -

TOTAL FUND EQUITY

\$ -

The notes to the financial statements are an integral part of this report.

**HEMATITE TOWNSHIP**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
LIQUOR LAW ENFORCEMENT FUND**

*FISCAL YEAR ENDED MARCH 31, 2005*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>REVENUES</u></b>			
State Grants	\$ 1,293	\$ -	\$ -
<b>TOTAL REVENUES</b>	<b>\$ 1,293</b>	<b>\$ 1,100</b>	<b>\$ 193</b>
<b><u>EXPENDITURES</u></b>			
Public Safety :			
Constable Wages	1,401	-	-
Fringe Benefits	107		
Supplies	45		
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,553</b>	<b>\$ 1,100</b>	<b>\$ (453)</b>
Excess of Revenues Over (Under) Expenditures	(260)	-	(260)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating Transfers In (Out)	260	-	260
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	-
FUND BALANCE, APRIL 1	-		
<b>FUND BALANCE, MARCH 31</b>	<b>\$ -</b>		

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET  
AMASA COMMUNITY LIBRARY

MARCH 31, 2005

ASSETS

Cash

\$ 18,497

TOTAL ASSETS

\$ 18,497

FUND EQUITY

Fund Balance

18,497

TOTAL FUND EQUITY

\$ 18,497

The notes to the financial statements are an integral part of this report.

**HEMATITE TOWNSHIP**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
AMASA COMMUNITY LIBRARY**

*FISCAL YEAR ENDED MARCH 31, 2005*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>REVENUES</u></b>			
Penal Fines	\$ 5,075	\$ -	\$ -
Interest	110		
<b>TOTAL REVENUES</b>	<b>\$ 5,185</b>	<b>\$ 4,500</b>	<b>\$ 685</b>
<b><u>EXPENDITURES</u></b>			
Books and Periodicals	3,698	-	-
Supplies	343		
Telephone	1,230		
Miscellaneous	100		
<b>TOTAL EXPENDITURES</b>	<b>\$ 5,371</b>	<b>\$ 5,600</b>	<b>\$ 229</b>
Excess of Revenues Over (Under) Expenditures	(186)	(1,100)	914
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating Transfers In (Out)	1,000	1,000	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	814	(100)	914
FUND BALANCE, APRIL 1	17,683		
<b>FUND BALANCE, MARCH 31</b>	<b>\$ 18,497</b>		

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET  
DEBT SERVICE FUND

MARCH 31, 2005

ASSETS

Cash

\$ -

TOTAL ASSETS

\$ -

FUND EQUITY

Fund Balance

\$ -

TOTAL FUND EQUITY

\$ -

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP
-------------------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
DEBT SERVICE FUND

FISCAL YEAR ENDED MARCH 31, 2005

**REVENUES**

	\$ -
	<hr/>
TOTAL REVENUES	\$ -

**EXPENDITURES**

Principal	5,000
Interest	<hr/> 3,220
TOTAL EXPENDITURES	\$ 8,220

Excess of Revenues Over (Under) Expenditures	(8,220)
---	---------

**OTHER FINANCING SOURCES (USES)**

Operating Transfers In (Out)	\$ 8,220
------------------------------	----------

Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-
---	---

FUND BALANCE, APRIL 1	<hr/> -
-----------------------	---------

FUND BALANCE, MARCH 31	<hr/> <hr/> \$ -
------------------------	------------------

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET  
HEMATITE TOWNSHIP BUILDING AUTHORITY

MARCH 31, 2005

ASSETS

Cash

\$ 615

TOTAL ASSETS

\$ 615

FUND EQUITY

Fund Balance

615

TOTAL FUND EQUITY

\$ 615

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP
-------------------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
HEMATITE TOWNSHIP BUILDING AUTHORITY

FISCAL YEAR ENDED MARCH 31, 2005

**REVENUES**

Rental Income	\$ 28,575
Interest Income	<u>1</u>
<b>TOTAL REVENUES</b>	<b>\$ 28,576</b>

**EXPENDITURES**

Principal	25,000
Interest	<u>3,575</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 28,575</b>

Excess of Revenues Over (Under) Expenditures	1
---	---

FUND BALANCE, APRIL 1	<u>614</u>
-----------------------	------------

FUND BALANCE, MARCH 31	<u><u>\$ 615</u></u>
------------------------	----------------------

The notes to the financial statements are an integral part of this report.

**HEMATITE TOWNSHIP**

**BALANCE SHEET  
WATER FUND**

MARCH 31, 2005

**ASSETS**

Cash and Deposits:

Restricted	\$      4,810
Unrestricted	28,617
Accounts Receivable	6,985
Due From Other Funds	53,886
Property, Plant and Equipment	1,212,012
Accumulated Depreciation	(9,943)

**TOTAL ASSETS**

**\$ 1,296,367**

**LIABILITIES AND FUND EQUITY**

**LIABILITIES**

Deferred Revenue	208
Bonds Payable	295,000

**TOTAL LIABILITIES**

**295,208**

**FUND EQUITY**

Retained Earnings	1,001,159
-------------------	-----------

**TOTAL FUND EQUITY**

**1,001,159**

**TOTAL LIABILITIES AND FUND EQUITY**

**\$ 1,296,367**

The notes to the financial statements are an integral part of this report.

**HEMATITE TOWNSHIP**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
WATER FUND**

*FISCAL YEAR ENDED MARCH 31, 2005*

<b><u>OPERATING REVENUE</u></b>	
Charges for Services	\$ 61,170
Hydrant Rental	3,000
Miscellaneous Revenue	<u>75,346</u>
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 139,516</b>
<b><u>OPERATING EXPENSES</u></b>	
Personal Services	14,397
Fringe Benefits	1,101
Supplies	4,414
Professional Fees/Contract Labor	2,830
Equipment, Repairs and Maintenance	9,143
Water Purchases	12,493
Insurance	135
Mileage	259
Training	414
Depreciation	<u>9,027</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 54,213</b>
Operating Profit (Loss)	85,303
<b><u>NON-OPERATING INCOME</u></b>	
Federal Grant	874,700
Interest Income	272
Transfer From Other Funds	<u>53,771</u>
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$ 928,743</b>
<b><u>NON-OPERATING EXPENSE</u></b>	
Interest Expense	(5,327)
Cost of Issuance	<u>(15,424)</u>
<b>TOTAL NON-OPERATING EXPENSE</b>	<b>\$ (20,751)</b>
Net Income (Loss)	993,295
RETAINED EARNINGS, APRIL 1	<u>7,864</u>
<b>RETAINED EARNINGS, MARCH 31</b>	<b><u>\$ 1,001,159</u></b>

The notes to financial statements are an integral part of this report.

**HEMATITE TOWNSHIP**

**STATEMENT OF CASH FLOWS  
WATER SUPPLY SYSTEM FUND**

*FISCAL YEAR ENDED MARCH 31, 2005*

**CASH FLOWS FROM (USED BY)**

**OPERATING ACTIVITIES**

Net cash received from fees and services	\$ 55,815
Other operating revenues	78,346
Cash payments to employees for services	(15,498)
Cash payments to goods and services	(40,528)
Other operating expenses	-

<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 78,135</b>
---	------------------

**NON CAPITAL AND FINANCING ACTIVITIES**

Increase (decrease) in due to other funds	-
(Increase) decrease in due from other funds	(53,886)
Net operating transfers in (out)	53,771

<b>NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES</b>	<b>(115)</b>
---	--------------

**CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(1,209,422)
Principal payment on long-term bonds	-
Interest paid on long-term bonds	(5,327)
Cost of Issuance - Bonds	(15,424)
Interest and tax expense	-
Proceeds from borrowings	295,000
Contributed capital grants	874,700

<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>\$ (60,473)</b>
--	--------------------

**INVESTING ACTIVITIES**

Interest Income	272
-----------------	-----

<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>\$ 272</b>
---	---------------

<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>17,819</b>
---	---------------

Cash and Cash Equivalents, Beginning of Year	15,608
--	--------

<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 33,427</b>
---	------------------

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF CASH FLOWS  
WATER SUPPLY SYSTEM FUND  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

**CASH FLOWS FROM OPERATING  
ACTIVITIES**

---

Operating Income	\$ 85,303
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	9,027
. Provision for uncollectible accounts	-
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	(4,249)
Increase (Decrease) in accounts payable	(10,840)
Increase (Decrease) in deferred revenue	(1,106)
Increase (Decrease) in customer deposits	-
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 78,135</u>

The notes to the financial statements are an integral part of this report.

**HEMATITE TOWNSHIP**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
TRUST AND AGENCY FUND**

*FISCAL YEAR ENDED MARCH 31, 2005*

	<u>Balance 3/31/2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/2005</u>
<b><u>ASSETS</u></b>				
Cash	\$ 68,413	\$ 547,900	\$413,731	\$202,582
<b>TOTAL ASSETS</b>	<u><b>68,413</b></u>	<u><b>\$ 547,900</b></u>	<u><b>\$413,731</b></u>	<u><b>\$202,582</b></u>
<b><u>LIABILITIES</u></b>				
Due to Other Funds	8,729	92,958	14,956	86,731
Due to State of Michigan	34,768	49,485	49,103	35,150
Due to Schools	7,048	178,565	148,406	37,207
Due to DIISD	734	21,500	17,838	4,396
Due to County	16,978	204,545	182,563	38,960
Due to Other	156	847	865	138
<b>TOTAL LIABILITIES</b>	<u><b>\$ 68,413</b></u>	<u><b>\$ 547,900</b></u>	<u><b>\$413,731</b></u>	<u><b>\$202,582</b></u>

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
**Hematite Township**  
Amasa, Michigan 49903

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of **Hematite Township** as of and for the year ended March 31, 2005, which collectively comprise **Hematite Township's** basic financial statements, and have issued our report thereon dated May 24, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Hematite Township's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no such matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Hematite Township's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Compliance and Other Matters (Continued)

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters involving the internal control structure and its operations that we have reported to the management of **Hematite Township**, Amasa, Michigan, in a separate letter dated May 24, 2005.

This report is intended solely for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.



Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

May 24, 2005

**SINGLE AUDIT REPORTS**

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CIRCULAR A-133**

Members of the Township Board  
**Hematite Township**  
Amasa, Michigan 49903

### **Compliance**

We have audited the compliance of **Hematite Township** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2005. **Hematite Township's** major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs, and the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **Hematite Township's** management. Our responsibility is to express an opinion on **Hematite Township's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Hematite Township's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **Hematite Township's** compliance with those requirements.

In our opinion, **Hematite Township** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2005.

Internal Control Over Compliance

The management of **Hematite Township** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **Hematite Township's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board, administration, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.



Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

May 24, 2005

HEMATITE TOWNSHIP

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FISCAL YEAR ENDED MARCH 31, 2005

FEDERAL GRANTOR	PASS THROUGH GRANTOR	FEDERAL GRANT	APPROVED ACCRUED (DEFERRED) ONLY	MEMORANDUM	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE 3/31/05	ADJUSTMENTS
PROGRAM TITLE	CFDA NUMBER	AWARD AMOUNT	REVENUE 4/1/04	PRIOR YEAR EXPENDITURES	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE 3/31/05	
<u>US Department of Agriculture Other Federal Assistance</u>							
2004 Water Supply System Improvements - (Loan)	* 10	\$ 295000	\$ -0-	\$ -0-	\$ 295000	\$ -0-	\$ -0-
2004 Water Supply System Improvements - (Grant)	* 10	<u>883000</u>	<u>-0-</u>	<u>-0-</u>	<u>883000</u>	<u>-0-</u>	<u>45458 (3)</u>
<b>TOTAL US DEPARTMENT OF AGRICULTURE OTHER FEDERAL ASSISTANCE</b>		<b>\$ 1178000</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 1223458</b>	<b>\$ -0-</b>	<b>\$ 45458</b>
<u>Department of Homeland Security</u>							
Passed through the Michigan Department Of State Police State Homeland Security Grant	97.004	\$ 5000	\$ 5000	\$ 5000	\$ -0-	\$ -0-	\$ -0-

HEMATITE TOWNSHIP

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FISCAL YEAR ENDED MARCH 31, 2005

FEDERAL GRANTOR	APPROVED GRANT	ACCURUED (DEFERRED)	(MEMORANDUM ONLY)	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR CASH RECEIPTS	ACCURUED (DEFERRED) REVENUE 3/31/05	ADJUSTMENTS
PASS THROUGH GRANTOR FEDERAL GRANT	CFDA AWARD NUMBER	AMOUNT	4/1/04					
Department of Homeland Security (Con't)								
Passed through the Federal Emergency Management Agency Assistance to Fire Fighters Grant								
#EMW-2003-FG-05651								
97.004	121500	-0-	-0-	138716	121500	-0-	17216	(3)
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>	\$ 126500	\$ 5000	\$ 5000	\$ 138716	\$ 126500	\$ -0-	\$ 17216	
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>	\$ 1304500	\$ 5000	\$ 5000	\$ 1362174	\$ 1304500	\$ -0-	\$ 62674	

**NOTES:**

- \*Designates Major Program
- In accordance with OMB Circular A-133, since federal awards expended were greater than \$300,000 but less than \$10 million, Type A programs are those programs with expended funds of \$300,000 or more. Based on this threshold, the 2004 Water Supply System Improvement was the only Type A program.
- Designates Township matching funds or contributions.

**HEMATITE TOWNSHIP**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED MARCH 31, 2005**

**A. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Hematite Township** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**B. MAJOR PROGRAMS**

Major programs were determined by a risk based approach, which includes consideration of current and prior audit expenses, oversight by federal agencies and pass-through entities, and inherent risk of the program in addition to the \$300,000 expenditure threshold.

**HEMATITE TOWNSHIP**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED MARCH 31, 2005

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- . Material weakness(es) identified? ☐ yes ☒ no
- . Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

**Federal Awards**

Internal control over major programs:

- . Material weakness(es) identified? ☐ yes ☒ no
- . Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs:

**CFDA Numbers**

**Name of Federal Program of Cluster**

10 US Department of  
Agriculture

2004 Water Supply System Improvements

97.004 - Department of  
Homeland Security

State Homeland Security Grant/Firefighters  
Grant

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

HEMATITE TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED MARCH 31, 2005  
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to be reported.

HEMATITE TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED MARCH 31, 2005  
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to be reported.

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

Members of the Township Board  
**Hematite Township**  
Amasa, Michigan 49903

In planning and performing the audit of the financial statements of **Hematite Township**, we considered the Township's internal control structure to plan the auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated May 24, 2005, on the financial statements of **Hematite Township**. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate township officials, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. Our comments are summarized as follows:

## **BUDGETS**

### **Problem**

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of amounts appropriated.

During the fiscal year ended March 31, 2005, the Township incurred several expenditures which were in excess of the amounts appropriated.

### **Recommendation**

Periodically, budgeted amounts should be compared to actual expenditures, and the budget should be amended accordingly.

### **Problem**

Budget formats are inconsistent with the financial statements, and are dissimilar from the original adopted budget to the final amended budget. This creates difficulty in budgetary comparisons, as all three are presented in a different format.

**BUDGETS (Continued)**

**Recommendation**

Budgets should be adopted using the same format as presented in the financial statements. The Township should utilize the capability of incorporating the budget into the financial statements, whenever possible, to enhance its usefulness to the Board, and to provide a better basis for decision-making by Township officials.

**GENERAL LEDGER**

**Problem**

In conjunction with the prior several audits, it was noted that the Township did not maintain a complete general ledger as required by generally accepted accounting principles.

**Recommendation**

It was recommended that the Township implement an accounting system that complies with generally accepted accounting principles. To accomplish this, it was recommended that the Township implement a computerized accounting system. The Township could then set up a new and complete general ledger for each of its funds, with monthly postings agreed to the receipts and disbursements journals and to the Treasurer's monthly report.

**Resolution**

The Township has taken a big step with the utilization of computerized financial accounting software. However, the system is not working fluently, as setup problems exist.

**CHART OF ACCOUNTS**

**Problem**

The State of Michigan has established a uniform chart of accounts, to be used by all municipalities in the State of Michigan. The Township is not properly utilizing this chart of accounts. Although each account type (assets, liabilities, revenues, and expenditures) has a standard range under this system, the Township is using some account numbers incorrectly. For example, expenditure numbers are incorrectly being used for revenues, etc.

**Recommendation**

The Township must review each account number and account type, and correct these numbers as required by the State of Michigan. Departmental headings should be set up and reflected on the financial statements.

**CASH RECEIPTS**

**Problem**

Remittance advice documents are not consistently being retained, and receipts are not being prepared for all monies received by the Township.

Hematite Township  
Page Three

**CASH RECEIPTS (Continued)**

**Recommendation**

A pre-numbered three part receipt book should be utilized for ALL monies collected and deposited. The receipt should indicate the amount of cash and checks received.

**PAYROLL REPORTS**

**Problem**

Forms 941 forms were filed after changes had been made to the original draft. No copy of the final report was retained by the Township, so there was no record of the actual numbers reported.

**Recommendation**

A copy of all important documents should be retained by the Township office. Quarterly payroll summaries corresponding to the quarterly 941 forms should be attached to the Township copy and kept on file to document the reported totals.

We wish to thank the Township's Supervisor, Clerk, and Treasurer for their support and assistance during our audit.

This report is intended solely for the information and use of the Township Board.

Yours very truly,



Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

May 24, 2005

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

May 24, 2005

Members of the Township Board  
**Hematite Township**  
Amasa, Michigan 49903

We have audited the financial statements of **Hematite Township** for the year ended March 31, 2005, and have issued our report thereon dated May 24, 2005. Professional standards require that we provide you with the following information related to the audit:

## **Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter dated April 30, 2003, our responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of the audit, we considered the internal control of **Hematite Township**. Such considerations were solely for the purpose of determining the audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of **Hematite Township's** compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.

**Significant Accounting Policies (Continued)**

The significant accounting policies used by **Hematite Township** are described in the Note to the financial statements. There were no new accounting policies adopted and the application of existing policies was not changed during this year. We noted no transactions entered into by **Hematite Township** during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no sensitive estimates affecting the financial statements as presented.

**Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by **Hematite Township** that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on **Hematite Township's** financial reporting process.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as **Hematite Township's** auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing the audit.

This information is intended solely for the use of the Board and management of **Hematite Township** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.